

Message Text

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PAGE 01 STOCKH 00172 141422Z
ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15
EB-07 COME-00 TRSE-00 FRB-01 /086 W
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R 141345Z JAN 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 9536
INFO AMEMBASSY SEOUL
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY BONN
AMEMBASSY TOKYO

UNCLAS STOCKHOLM 0172

E.O. 11652: N/A
TAGS: ETRD, KN, SW
SUBJECT: SWEDISH PRESS REPORTS ON TRADE RELATIONS WITH NORTH KOREA

1. DAGENS NYHETER ON JANUARY 12 REPORTED THAT SWEDISH FIRMS, IN THEIR DEALINGS WITH NORTH KOREA, HAVE SUFFERED LOSSES AMOUNT TO SOME 100 MILLION KRONOR DURING THE PAST 18 MONTHS ALONE. NORTH KOREA HAS SIMPLY NOT BEEN IN A POSITION TO PAY FOR THE SWEDISH DELIVERIES DUE TO THE LACK OF FOREIGN EXCHANGE. THE NEWSPAPER STATED THAT SWEDISH FIRMS ARE NOW NOT LIKELY TO DO ANY MORE BUSINESS WITH NORTH KOREA FOR SOME TIME.

2. PRIOR TO 1973 NORTH KOREA WAS VIRTUALLY UNKNOWN TO SWEDISH EXPORTERS. BUT THEIR EYES OPENED TO THE POTENTIAL OF THAT MARKET WHEN IT BECAME KNOWN THAT THE NORTH KOREANS WERE IN THE PROCESS OF GREATLY EXPANDING THEIR HEAVY INDUSTRY. NORTH KOREA'S ORE DEPOSITS ARE NOW BEING EXPLOITED MORE EXTENSIVELY THAN EVER BEFORE. SEVERAL SWEDISH COMPANIES AND CONSORTIUMS WERE AWARDED LARGE NORTH KOREAN TRDERS IN THE 100-MILLIOMJAKRONOR CATEGORY. SWEDEN'S TOTAL
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PAGE 02 STOCKH 00172 141422Z

EXPORTS TO NORTH KOREA, WHICH AMOUNTED TO ONLY 44 MILLION KRONOR IN 1974, SWELLED TO 277 MILLION KRONOR IN 1975. BUT IN 1976 THEY DROPPED TO APPROXIMATELY 100 MILLION KRONOR.

3. THE SHARP DECLINE IN SWEDEN'S EXPORTS TO NORTH KOREA DURING 1976 IS ATTRIBUTED WHOLLY TO NORTH KOREA'S INA-

BILITY TO PAY FOR ITS IMPORTS. ITS PAYMENT PROBLEMS
STEM FROM THE FACT THAT WORLD PRICES OF THE KINDS OF RAW
MATERIALS NORTH KOREA NORMALLY EXPORTS HAVE NOT RISEN TO
THE EXTENT THAT WAS EARLIER ANTICIPATED. EARLY IN 1976
SWEDEN, THROUGH ITS EXPORT CREDITS GUARANTEE BOARD
(ABBREVIATED EKN), AGREED TO GRANT NORTH KOREA A STAY OF
TWO YEARS ON PAYMENT OF ITS OUTSTANDING DEBTS TO SWEDISH
COMPANIES MATURING DURING THE PERIOD 1975-1977. THOSE
DEBTS ARE SAID TO TOTAL APPROXIMATELY SKR 600 MILLION
(\$144 MILLION). THE PRINCIPAL SWEDISH CREDITORS INCLUDE
SEVERAL PROMINENT MANUFACTURING COMPANIES, SUCH AS AB
VOLVO (MOTOR VEHICLES, AGRICULTURAL AND FORESTRY MACHINERY,
EARTHMOVING EQUIPMENT), ALFA-LAVAL AB (FARM AND DAIRY
MACHINERY AND EQUIPMENT, FOOD PROCESSING, FILLING AND
PACKAGING MACHINERY), KOCKUMS INDUSTRI AB (EARTHMOVING
AND LOGGING EQUIPMENT, AND MACHINERY FOR SAWMILLS AND
PULP MILLS), MORGARDSHAMMAR AB (MINING MACHINERY, ROLL-
ING MILL MACHINERY, ORE AND GRAVEL CRUSHERS), AND SALA
INTERNATIONAL (MINING AND ORE DRESSING MACHINERY AND
EQUIPMENT).

4. THE EXPORT CREDITS GRANTED BY SWEDISH COMPANIES TO
NORTH KOREA ARE SECURED BY GUARANTEES PLEDGED BY THE
EKN WHICH, IN RECENT YEARS, HAS REPORTED A SHARPLY
INCREASING RATE OF COMPENSATION CLAIMS FROM SWEDISH
EXPORTERS, PRIMARILY FROM THOSE SUFFERING LOSSES
RESULTING FROM DEALINGS WITH NORTH KOREA.

5. COMMENT. FOREGOING IS OF COURSE ONLY PRESS REPORT
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PAGE 03 STOCKH 00172 141422Z

BUT IT CORRESPONDS WELL WITH LIMITED INFORMATION WHICH
EMBASSY HAS ON THE SUBJECT.
SMITH

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